



## Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact [support@jstor.org](mailto:support@jstor.org).

A large part of the available specie, it will be seen, is not in hand, but consists of sums due to the Treasury or the Imperial Bank by foreign bankers: the total of these two items is not less than 141.7 million rubles. Of the 382.5 millions of specie in hand, a small part is silver; but the proportion is so small that the stock may be said to be practically all gold.

---

#### RETAIL PRICES UNDER THE McKINLEY ACT.

The first part of the Report of the Senate Committee on Finance, designed to throw light on the effects of tariff legislation, has been issued, and contains an examination of the course of money wages and of retail prices in the twenty-eight months from June, 1889, to September, 1891. As might have been expected, the general result, by whatever method measured, is that no marked change took place in prices or in wages. The range of prices for the first three months of the period was used as a base, indicated by the figure 100. The level for the month of September, 1891, the last month covered, was 99.36. The highest level attained was 101.46, in April, 1891. Similarly, money wages showed no appreciable change. The average for the same three months was again taken at 100; and the level for September, 1891, was found to be 100.75, while the variation was between the extremes of 99.41 and 100.78. The number of articles whose prices were examined was 214: the number of occupations from which wages were examined was 15. Both for wages and prices, figures were secured from 40 to 70 cities.

To the economist these figures are chiefly interesting as illustrating the slowness with which retail prices change. The wholesale prices of the same articles, of which an examination was also made, showed much greater changes. The general index number for wholesale prices rose as high as 104.25, against a rise of retail prices in the same month (April, 1891) to a maximum of only 101.46. Very striking discrepancies are found in the wholesale and retail prices of individual articles. Thus the wholesale price of butter varied between a minimum of 87.89 and a maximum of 158.51: the extremes of the retail

price were 99.27 and 124.67. In the general group of food products, wholesale prices rose to a level of 116.52 in May, 1891: retail prices in this group reached a maximum of only 107.

So far as the effects of tariff legislation are concerned, nothing is to be learned from the general figures. Of the 214 articles considered, few were directly affected by the changes in duties under the act of 1890. The prices of agricultural products naturally varied with the fluctuation in the general or local crops, and those of manufactured articles showed the general steadiness which might be expected. In some cases, it is true, the effects of changes in duties can be clearly followed. The remission of the duty on sugar was followed by a prompt fall in its price; and in this case the wholesale price was closely followed by the retail price. Tinware showed a distinct rise in price, presumably due to the higher duty on tin plates. Similarly, linens, worsted goods, overcoat woollens, carpets, showed advances which may be ascribed to higher duties. Other articles, like axes, screws, lead pipe, showed advances due to other causes. The general trend of the prices of manufactured articles was downward,—a result probably due to the ordinary causes leading to cheaper production and lower prices, intensified by the fact that the period from 1889 to 1891 was one of general depression.

Money wages showed no marked changes. Here, again, the fifteen occupations selected were, in the main, such as the tariff act of 1890 could not directly affect. On grounds of general reasoning, it might perhaps be expected that in some particular industries higher duties would lead for a while to unusually large profits, and so make possible a rise in money wages,—both advances being of a sort not likely to endure. Possibly some effect of this kind may be seen in a rise in the wages of persons engaged in the manufacture of woollen goods in the course of 1891. But, after all, the bulk of the woollen manufacture of the United States was not affected by the advances of duty in the new tariff act; and the change noted is not improbably due to other causes.

In truth, the whole investigation rested on a palpable error in regard to the operation of tariff legislation. The political

importance of protection leads to curious notions as to its economic effects. In one quarter we are told to expect an immediate rise in general wages from the tariff act of 1890: in another quarter we are told to expect a rise in all prices. In fact, the number of articles directly affected by the tariff act of 1890 was small in comparison with the total consumption of the community. That act is important from the principle involved in it, and from the character of some of its details, rather than from its measurable effects on general welfare. It was to be expected that such an investigation as the Senate Committee undertook would lead to negative results; but we fear it is hardly to be expected that this outcome will lead to a more sensible and pertinent mode of discussing the tariff question.

There is another point of view, however, from which this report is of very considerable importance,—as to the method in which the investigation was carried on. The collection of the figures of prices and wages which formed the basis of the investigation was entrusted to Commissioner Carroll D. Wright of the Department of Labor, while the work of digesting and analyzing them was entrusted to Professor R. P. Falkner, of the University of Pennsylvania. That these gentlemen were put in charge is gratifying evidence that the need of expert training in such matters begins to be appreciated by the public and by legislators. Both carried out the tasks imposed on them with a success highly creditable to the development of statistical skill in the United States,—a development which is only a part of the general advance in economic training so conspicuous in the intellectual history of the last ten years. No better example of skill and care in statistical work can be found than in Professor Falkner's analysis and condensation of the figures supplied by Commissioner Wright.

It is of special interest to the economist that Professor Falkner not only worked out the index number for each article and group of articles during every one of the twenty-eight months, and calculated the simple average, or general index number, for all the articles and groups: he also worked out a general index number in which allowance was made for the varying importance of the different articles. The

degree of importance to be ascribed to one commodity as compared with another was ascertained by examining the proportion in which different commodities entered into the consumption of an average family,—this, again, being ascertained from budgets of normal families, having average incomes, which had been gathered by the Commissioner of Labor in his recent reports on cost of production. Data of this sort made it possible to weight articles, in the calculation of the general index number, in proportion to their importance for the bulk of the community. Corrected in this way, the average of prices in September, 1891, as compared with the beginning of the period in 1889, was 99.56; in other words, the cost of living for an average family went down from 100 to 99.56. This result differs very little from that obtained by taking a simple average, without regard to the importance of commodities; for it will be remembered that by the method of simple average the change in the general level of prices was found to be from 100 to 99.36. The result confirms the conclusion to which other investigations of the same sort point,—that the method of weighted average is not greatly superior for practical purposes to that of simple average. In principle, it is clearly the sounder method; but in practice the two seem to lead to the same results.

This, however, is a point on which further light is needed; and it is to be hoped that the skill and care which mark this investigation will be applied in due time to material covering a longer period and possessing greater intrinsic importance. Such material, it may be hoped, will be gathered and sifted for the second part of the Report of the Senate Committee, in which the range of wholesale prices during the last fifty years will be considered. This second part, we are informed, is likely to be issued in the course of the autumn or early winter. It cannot fail to be of great interest and value.